




OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
1801 L STREET, NW
WASHINGTON, D.C. 20220

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MEMORANDUM FOR: Herbert M. Allison Jr. – Assistant Secretary for Financial Stability,
Department of Treasury

Stephen R. Malphrus - Chief of Staff, Board of Governors, Federal
Reserve System

FROM: Neil M. Barofsky - Special Inspector General for the Troubled
Asset Relief Program (SIGTARP) 

SUBJECT: Engagement Memo – Review of The Collateral Monitors'
Valuation Results and Subsequent Loans Issued under The Term
Asset-Backed Securities Loan Facility Program

As part of our continuing oversight of the Troubled Asset Relief Program, we are initiating a review of the Federal Reserve's valuation determinations used to issue loans under the Term Asset-Backed Securities Loan Facility Program. Under the Federal Reserve loan program, backed by up to \$80 billion of Troubled Asset Relief Program funds, investors are provided with non-recourse loans secured by certain types of asset-backed securities.

Our specific objective is to determine (1) how the Federal Reserve made valuation determinations, including the role of collateral monitors, when making its decisions regarding the eligibility of the collateral and the appropriateness of the requested loan amounts.

We plan to start work on this engagement immediately. This work will be performed under engagement code 016. We expect to perform our field work at the Office of Financial Stability, the Federal Reserve Board, the Federal Reserve Bank of New York, Trepp LLC offices, and Pacific Investment Management Company LLC offices. A member of my staff will contact you shortly to arrange an entrance conference. At that time, we will discuss our scope, methodology, and timeframes in more detail. In the meantime, please contact Mr. James Shafer, SIGTARP Associate Director for Audit, at (202) 927-9334.

cc: Duane Morse, Chief Risk and Compliance Officer, OFS
David Caperton, Special Counsel for Oversight, FRB